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CIA/ONE/STAFF MEM/75-63 FRANCE, CHINA AND VIETNAM

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CENTRAL INTELLIGENCE AGENCY

OFFICE OF NATIONAL ESTIMATES

18 October 1963

STAFF MEMORANDUM NO. 75-63 (Internal ONE Working Paper --
CIA Distribution Only)

SUBJECT: France, China, and Vietnam

Summary

1. Of late there has been a flurry of rumors that Paris may be exploring possible deals with Communist China and North Vietnam. We doubt that there exists a French "grand design" for the Far East. Nonetheless, we believe that the French (a) are seeking increased trade with China, (b) are considering recognition of Peiping, and (c) are actively engaged with Hanoi, and possibly the Chinese as well, in exploring a negotiated settlement of some sort in Vietnam. Additionally, we believe that the Chinese Communists have probably made overtures of late for closer relations with France, as part of a larger program for increasing contacts with Europe and Japan.

2. All this French-Chinese-Vietnamese motion has not suddenly been initiated by the French; rather, it is a blossoming of vague French and Chinese designs which have been under way for some time.

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The tempo has perhaps been increased of late by French attitudes toward the test ban, by a French belief that events in Vietnam have increased the chances of a possible negotiated settlement there, and by greater recognition by Peiping both of these French attitudes and of its own dire need of certain key imports now (or soon to be) denied it by the USSR.

French Policy

3. There have been several recent indications that France may now be undertaking a more active policy with respect to Peiping and Hanoi:

a. A 15 October New York Times story from Paris (C.L. Sulzberger) states that the French Government now considers it "logical" for France and Communist China to draw closer together. The Embassy reports that this story (and a similar piece by Don Cook in the Herald Tribune) were based on interviews with French Foreign Minister Couve de Murville, just back from his US trip.

b. A 17 October New York Times editorial asserts that Couve confronted President Kennedy with the argument that diplomatic isolation of Communist China is no longer in the Western interest, that its continued isolation now serves Moscow's interest primarily, and that de Gaulle

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would like to see the US and France act together to establish diplomatic relations with Peiping.

c. These views attributed to the French by Sulzberger and the Times closely parallel statements made by de Gaulle

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quoted de Gaulle as having argued that relations between China and Russia were really no different than in the time of the Czars and Emperors, that the Chinese had adopted communism not out of ideological conviction but as a way of disciplining and organizing their vast country, and that it would be "quite logical" for countries which had not recognized Communist China to do so.

d. We know that Couve stated, in his Washington talks, that France's experience has led Paris to recognize the desirability of consulting Communist China in instances where Vietnam is concerned.

e. An unofficial but government-encouraged French trade delegation has just returned from China with great expectations.

f. We have no reason to question the Sulzberger column's assertion that former French Premier Edgar Faure, after a

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meeting with de Gaulle, has taken off on a private visit to Communist China. It will be recalled that Faure, following an earlier trip there, wrote a book which tends to give the Peiping regime the benefit of the doubt.

g. These developments, finally, have come in the wake of two provocative references by de Gaulle himself to France's special interest in Vietnam and similarly divided nations, and of various other indications of French interest in a possible Hanoi-Saigon rapprochement.

4. There can be no doubt that the French are keenly interested in greater trade with Communist China, all the more so in view of present sharp competition for expanding markets^{there} from the British, the Germans, and others. The level of Sino-French trade will be limited by France's ability to absorb hog bristles, Chinese curios, and exotic minerals. Also the French are likely to run into trouble in selling items like the jet Caravelle, which reportedly would have to be almost completely rebuilt, at prohibitive retooling costs, to avoid security complications with the US. However, France's problem of absorbing Chinese exports could be eased by Chinese purchases in cash, and [REDACTED] 25X6

25X6 [REDACTED] by developing a triangular trade in which [REDACTED] Hong Kong would sell some Chinese products in Africa and the earnings would be used to pay for Peiping's purchases from France.

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5. It is more difficult to say how much further the French aspire to go at this stage. It might be argued that recent French statements and actions (like so many Gaullist gestures in the past) do not reflect any definite and immediate intent, but are simply designed to reassert French interests and to lay the groundwork for future action should propitious circumstances arise. Having already got a certain political mileage out of a mere show of interest in Far Eastern matters, de Gaulle must now decide whether the risks of a more positive policy are worthwhile.

6. All things considered, nonetheless, we believe that a convincing case can be made that de Gaulle is moving toward a more active China policy. To be sure, he presumably remains interested in an eventual accommodation between a French-led Western Europe and the USSR, and continues to hold a "yellow peril" view of a future vast China. He nevertheless appears to look upon the two Communist regimes, Peking and Moscow, as rival antagonists to be played off against each other whenever possible, and probably believes that gestures toward China would have a salutary effect in reminding Khrushchev of the desirability of coming round to an understanding with the West. A more active French policy in the Far East would accord with de Gaulle's general course of showing the tricolor and strengthening France's position as a world power. The

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French probably assume that the Republic of China's UN position will collapse before too long (with France's African friends doing some of the pushing), and will wish to avoid what they believe would be a piling up on the rocks of a Chinese Communist diplomatic breakthrough. Test ban developments and pique at the US and the UK must also propel the French in the direction of greater association with the Chinese outcasts, though we do not consider these major forces.

7. Finally, and most importantly, French policy toward China is also influenced by its aspirations regarding Indochina. France probably does not have a single, detailed "master plan" for Indochina. Nonetheless, it seems fairly clear that de Gaulle does have the general aim of reestablishing as much as possible of France's former influence and presence in this area, as he has attempted also to do in Africa and the Mediterranean. It seems equally clear that he regards the American presence and influence in the Indochina area as impermanent. Indeed, a number of important Frenchmen probably feel that French influence in Indochina cannot be significantly expanded without a concomitant reduction in the influence and presence of the American "usurpers." Thus, French "policy" with respect to Indochina (and China) is the product both of certain French "activists," and of de Gaulle's willingness

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to permit certain diplomatic or clandestine probes to be tried and tested. It seems increasingly likely that French pursuit of these aims is also guided by certain French estimates of the Indochinese situation, viz. that North Vietnam is not going to be militarily defeated, or even really contained, by the Laotians or South Vietnamese, even with US help; that in the not too distant future North Vietnam is bound to become the predominant power in Indochina (momentarily disregarding the China factor); and that long-term French -- and Western -- interests lie in adjusting to the inevitable rather than in vainly trying to fight it.

8. Although these considerations concern all of the Indochina area, they apply most of all to South Vietnam. Saigon is the center of what the French, having done the dying and suffered the defeats, regard as an open American effort to supplant their influence. The French have never really accepted Diem. We have some evidence that they may have been busy for almost the past year in working for a neutral "solution" in Vietnam. Now, the past few months' political crisis and US-GVN estrangement have provided the French with opportunities they have not heretofore enjoyed. Although our evidence is neither hard nor conclusive, it would appear that the French have offered communications channels and their services as "honest brokers" for conversations between Saigon and Hanoi.

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There are also grounds for thinking that the French have in some manner dangled in front of Nhu's eyes the carrot of increased economic aid to offset the effects of US aid curtailment should Saigon's policies take a more neutralist turn. We doubt, however, that France has in any way bound itself to a positive expenditure of funds or given any commitment of support involving manpower or appreciable quantities of materiel.

Chinese Communist Policy

9. The burgeoning Sino-French contact we are now seeing is in important measure a fruition of about three years of Chinese initiatives. Ever since mid-1960, when the drastic decline of Soviet technical assistance began, China has sought to develop alternate markets and sources outside the Bloc. However, even though the greater proportion of China's trade is now outside the Bloc, the economic distress of China has meanwhile resulted in a decline of its trade levels with many of the key non-Bloc countries as well, with China's total trade (Bloc and non-Bloc) falling from about \$3,331 million in 1960 to about \$1,998 million in 1962. Of the major European countries, France almost alone has kept up a fairly constant level of trade with China in this period:

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(Exports plus imports)		<u>1960</u>	<u>1961</u>	<u>1962</u>
<u>France</u>	US\$	75.5	52.3	60.2
<u>U.K.</u>		159.5	122.9	88.9
<u>West Germany</u>		164.8	70.2	70.4
<u>Italy</u>		68.3	42.0	33.1
<u>USSR</u>		1,665.4	919.0	750.0

10. In the past year China has shown great interest in obtaining a wide variety of goods from France: jet aircraft, computers, electronics, cargo ships and shipbuilding equipment, POL, chemicals and synthetics, machine tools, agricultural machinery, high grade alloys, telecommunications equipment, fertilizers, and grain. Such Chinese interest is primarily caused by dire economic necessity. This is not to say that Peiping is not also cognizant of important political by-products: among them, breaking out of its isolation, assisting its UN aspirations, and dividing the US from its Allies. China's leaders probably also consider that France's interest in a Vietnam settlement gives them some leverage in negotiating with Paris. And, though we have no such indication as yet, we do not rule out the possibility that Peiping may already have sounded out the French on nuclear assistance.

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11. It should be noted that China's overtures toward France are not an isolated development, but part of a larger, more active phase of Chinese economic diplomacy of late also involving the UK, Japan, West Germany, Denmark, Sweden, and the Netherlands. These Chinese moves, accelerating trends under way over the last three years, may be part of a possible Chinese decision that domestic prospects are so bleak that Peiping must soften its course not only toward Europe and Japan, but even the USSR.

What next.

12. We should probably expect more indication of Paris-Peiping-Hanoi contact, a modestly rising level of Sino-French trade,

In fact, however, the rate of French movement concerning China and Vietnam will probably be determined primarily by de Gaulle's estimates (a) of what the traffic will bear with respect to Washington, and (b) of the course of the US-GVN-Viet Cong tangle. We should expect French encouragement of a Vietnam settlement to continue in any case, and to accelerate in the event the US outlook in South Vietnam should darken. We by no means rule out French recognition of Peiping at some time in the near future, since de Gaulle may well consider it to be not only to French advantage but likely to provoke only such

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harm to French interests as American anger and hand-wringing. The French may profess interest, for US benefit, in some nuclear cooperation with Peiping. We doubt, however, that the French would consider that providing significant nuclear aid to China would benefit French interests or be worth the many risks involved.

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